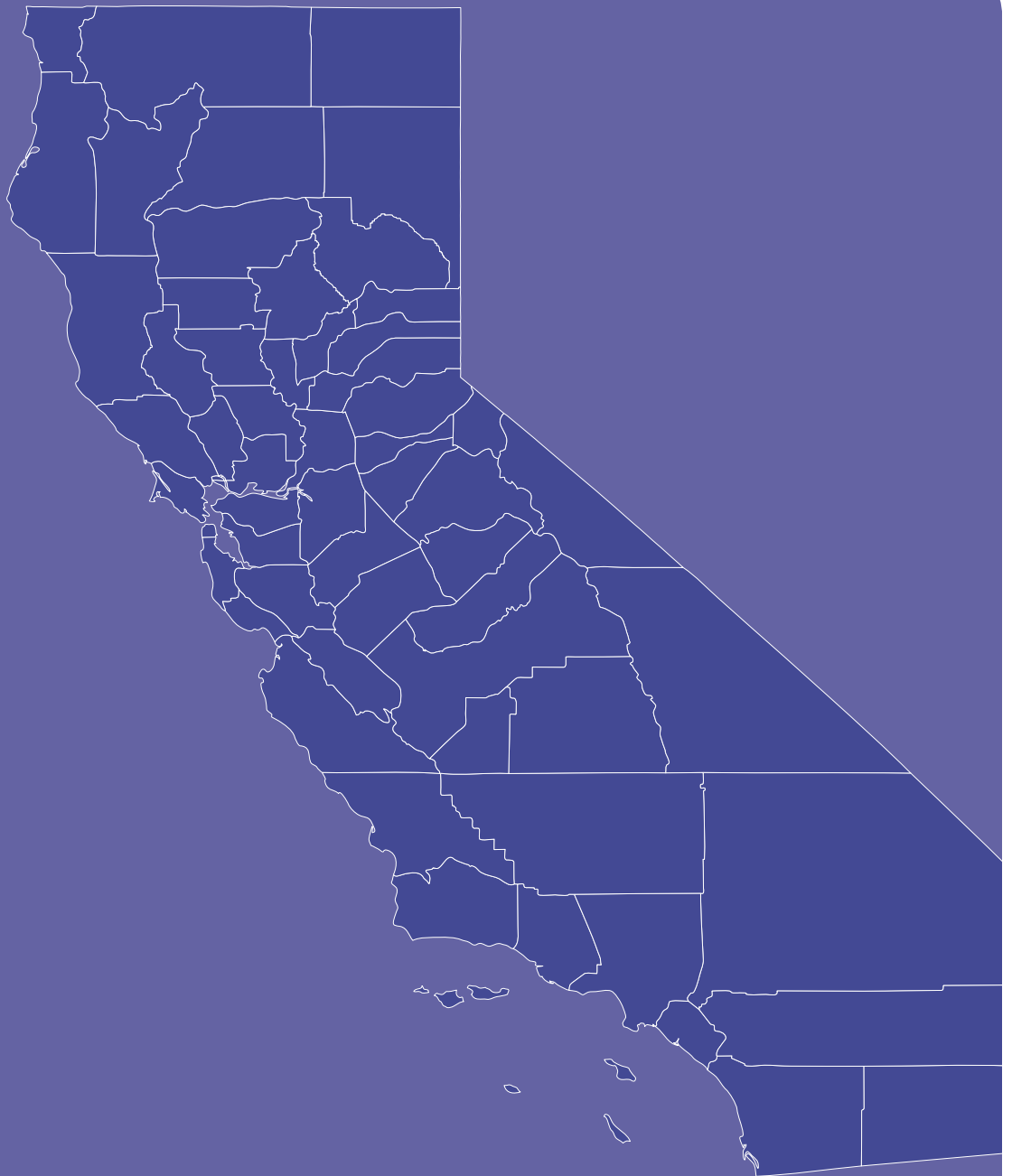


CalPERS for California 2010

Supporting Economic Opportunity in California



CalPERS



CalPERS for California

The California Public Employees' Retirement System (CalPERS) is one the largest investors in the world, with more than \$200 billion in assets.

Approximately \$17 billion (8.5 percent) of these funds are invested in California-based companies and projects.

CalPERS for California highlights some of the broad ancillary benefits of all CalPERS investments in California, together with the targeted impacts of the California Initiative, an investment initiative in the Alternative Investment Management (AIM) Program.

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Chapter I

CalPERS Investments in California

Introduction

The California Public Employees' Retirement System plays a significant role in California's economy, safeguarding and paying the retirement benefits of more than 1.6 million members, and investing 8.5 percent of a total \$200.5 billion in assets in the state as of June 30, 2010.¹

This report focuses on the broad ancillary benefits from the \$17 billion that CalPERS has invested in the state. These ancillary benefits include jobs, business expansion, and infrastructure.

The primary objective of CalPERS investments in California is to achieve appropriate risk-adjusted returns on investment. The decision by CalPERS and the third-party investment managers with which it works to invest locally reflects the competitiveness of the financial returns available from companies, properties and projects located in California.

Specifically:

- At \$1.85 trillion,² California represents 13 percent of U.S. Gross Domestic Product (GDP) and ranks as the world's eighth largest economy;³
- California is home to 57 Fortune 500 companies and 14 of the largest 500 corporations in the world;⁴
- California has received \$126 billion of \$1 trillion in private equity investments made in the past decade in the United States;⁵
- California exported \$120 billion of goods in 2009, representing 11.4 percent of the U.S. total.⁶

CalPERS invests like most other large institutions, diversifying its portfolio among categories of investments, called "asset classes," to reduce its exposure to any one market risk and to maximize its return on investment.

The asset classes included in this report include:

- **Public markets:**
 - Public equities: investments in publicly traded companies both domestic and international;
 - Fixed income: investments in loans provided to governments, companies, and other borrowers;

- **Private markets:**

- Private equities: investments in private companies that are not publicly traded;
- Real estate: investments in commercial and residential property;
- Infrastructure: investments in real assets including bridges, toll roads, utilities, and airports.

California's large and vibrant economy will continue to attract a proportion of CalPERS total investments and will benefit from the impacts that this capital brings to the state. A 2007 study estimated the economic impact of CalPERS investments on California at over \$15 billion.⁷

This report uses the geographic characteristics of the companies, properties and projects in which CalPERS invests to describe the breadth of the System's exposure to California.

Scope and Limitations

The capital that CalPERS invests in California is usually not explicitly directed to the state but is the consequence of a process weighing the financial merits of particular companies, properties and projects, regardless of location. The size of CalPERS, and of California's economy, is the primary driver of the System's significant exposure to local communities and the related benefits that this brings, like job creation.

The research methods in this report are fully documented in footnotes. The difficulty of directly attributing ancillary benefits to CalPERS is especially notable and explains why public market and private market investments are discussed separately in Chapter I.

The data in Chapter I offers a snapshot of CalPERS investments used for analysis by Pacific Community Ventures (PCV), a third-party research organization. Data in Chapter II, on the California Initiative, has been collected independently and consistently by PCV for six years and provides additional detail and insight.

Highlights

At June 30, 2010, CalPERS invested:

- \$6.1 billion in 644 California-headquartered public companies, which employ over 700,000 people in the state—nearly 5 percent of the total workforce.
- \$4.7 billion of fixed income capital in California, \$810 million of which is invested in 14 California-headquartered corporate bond issuers employing over 85,000 workers in the state.⁸
- \$2.9 billion in 1,331 California-headquartered private companies, which support more than 140,000 local jobs.

- \$3.3 billion in 387 California-based real estate projects.
- \$80 million in six California-based infrastructure projects.

CalPERS invested approximately \$17 billion in companies, properties and projects located in California across five key asset classes—public equities, private equities, fixed income, real estate, and infrastructure.

CalPERS Investments in California by Asset Class

	Total portfolio value (in billions)	Dollars invested in California (in billions) ³	Percentage of dollars invested in California
Public Equities	\$94.5	\$6.1	6.5%
Private Equity	\$28.8	\$2.9	10.1%
Real Estate	\$14.9	\$3.3	22.0%
Infrastructure ¹	\$0.4	\$0.1	18.5%
Fixed Income	\$49.0	\$4.7	9.6%
Other ²	\$12.9	—	—
All CalPERS Total	\$200.5	\$17.1	8.5%

¹ The values for the infrastructure portfolio have been rounded for this chart. The actual values are \$434 million and \$80.5 million respectively.

² CalPERS total portfolio value was \$200.5 billion at 6/30/2010. The five asset classes above do not comprise the entire portfolio. "Other" consists primarily of cash and cash-equivalents.

³ All data is as of 6/30/2010. Standards used to determine California companies for this analysis may vary from those in other reports and lead to small differences in dollars invested.

CalPERS Investments by Asset Class in California



Public Markets

CalPERS invests the largest volume of its assets in total, and in California, in the public equity and fixed income markets.

The analysis below includes estimates of the number of workers employed in California by the companies in which CalPERS invests. These jobs are not explicitly created or sustained by CalPERS investments, although CalPERS provides an important source of capital that supports all the activities of the public companies and fixed income opportunities in which it invests.

PUBLIC EQUITIES

Public Equities	Total Market Value	\$94.5 billion
	Value in CA	\$6.1 billion
	Percentage in CA	6.5%

CalPERS invests in public companies primarily as a long-term investor, without trying to time the market. The largest proportion of its public equity portfolio is passively managed by an in-house team of investment professionals. CalPERS maintains some active equity management, where there is potential to add value, using both in-house expertise and by engaging the services of qualified third-party investment management companies.

The 644 California-headquartered public companies in which CalPERS invests employ an estimated 700,000 workers locally—about 5 percent of the State’s total workforce.⁹ Just over one-fifth of the facilities of California-headquartered companies are located in California.

CalPERS Public Equity Portfolio in California¹

Total Companies		644
Median Company Size (Employees)		478
Average CalPERS Investment (in millions)		\$11.37
Company Size (Employees)	1-100 Employees	20%
	101-500 Employees	32%
	>500 Employees	48%
Company Size (Revenue, in millions)	<\$100	21%
	\$101 - \$500	30%
	Over \$500	50%
Median One-Year Employee Growth ²		-0.13%
Percentage Manufacturing Companies ³		51%
Estimated Number of Jobs in California ⁴		700,000
Facilities in California		35,024

¹ Analysis based on a 25% random sample (n=168). All data was collected from the Hoovers Inc. online database of publicly traded companies. Hoovers Inc. is a Dun & Bradstreet company.

² Median employee growth data from Hoovers Inc. is measured as the percentage difference between the most current reported employee numbers, and the numbers reported approximately one year prior.

³ Percentage of manufacturing companies data from Hoovers Inc. A company is classified as a manufacturer if they produce any kind of physical good.

⁴ The number of jobs in California is estimated using the percentage of total company facilities in California. Given that 22% of sample facilities are in CA, and assuming that employment is spread evenly by facility, 700,000=total jobs at California-headquartered companies x 22%

CalPERS makes investments of more than \$100 million in 12 separate companies headquartered in California. These companies account for 58 percent of CalPERS public equity

investments in California and 26 percent of the California workers employed at public companies in CalPERS portfolio.

CalPERS +\$100 Million Public Equity Investments in California

Company Name	CalPERS Investment (in millions) ¹	Total Market Capitalization (in millions) ²	CalPERS % of Market Value	Facilities in California ³
Apple Inc	\$651.8	\$291,731.2	0.22%	20.9%
Chevron Corp	\$405.3	\$171,398.5	0.24%	20.0%
Wells Fargo & Co	\$384.1	\$150,009.4	0.26%	15.0%
Oracle Corp	\$220.1	\$144,227.9	0.15%	15.2%
Cisco Systems Inc	\$364.4	\$136,783.2	0.27%	12.5%
Google Inc	\$280.5	\$154,727.8	0.18%	18.4%
Hewlett-Packard Co	\$301.4	\$100,143.5	0.30%	10.2%
Intel Corp	\$292.3	\$117,361.1	0.25%	17.5%
Occidental Petroleum Corp	\$211.3	\$68,744.8	0.31%	14.7%
QUALCOMM Inc	\$152.9	\$77,132.6	0.20%	17.5%
Walt Disney Co/The	\$158.1	\$70,747.3	0.22%	21.1%
Amgen Inc	\$144.2	\$51,681.4	0.28%	9.7%
Total CalPERS Market Value	\$3,566.4	\$1,534,688.8	0.23%	15.3%

¹ CalPERS Investment is market value at 6/30/2010.

² Total market capitalization at 6/30/2010. Data from smartmoney.com Stock Quote key stats.

³ The percent of facilities in California is determined using Hoovers, Inc. data and includes all company facilities with a California address.

CalPERS also invests in approximately 9,000 companies that are not headquartered in California, of which 50 percent have facilities in-state and employ local workers. In-state operations comprise 7 percent of the total number of facilities globally for these companies.¹⁰ While companies headquartered elsewhere likely employ millions of Californians—evidenced by the approximately 280,000 facilities they operate in California compared to 35,000 for the 644 California-headquartered companies that employ 700,000 local workers—a precise jobs estimate was unable to be determined with available data.

**Impacts of Global Equity Companies
not Headquartered in California
on the California Economy¹**

Total Companies	9,265
Number of Companies with Facilities in CA	4,928
Total Number of Facilities at Companies with Facilities in CA	4,289,373
Number of Facilities in CA	283,283
Percentage of Facilities in CA (for Companies with CA Facilities)	7%

¹ Analysis based on a 3% random sample (n=298) of companies not headquartered in California in the CalPERS Global Equity portfolio.

Case study: The Auto Industry

CalPERS invests \$272 million in 17 of the largest 20 public companies in the global automotive industry. While none of these companies are headquartered in California, 14 have facilities in the state and employ an estimated 170,000 local workers.¹¹ American carmakers General Motors and Ford are illustrative. GM has approximately 8 percent of its 51,000 facilities in California, and Ford has 45 facilities in the state, or 5 percent of the company's total number.

FIXED INCOME¹²

Fixed Income	Total Market Value	\$49 billion
	Value in CA	\$4.7 billion
	Percentage in CA	9.6%

CalPERS has fixed income investments in California—both internally and externally managed—in three primary vehicles:

- **Corporate bonds:** Corporate bonds are debt securities issued by private and public corporations. Companies issue corporate bonds to raise money for a variety of purposes, such as building new plants or purchasing equipment.
- **Credit enhancements:** Credit enhancements for companies or government entities effectively substitute the credit rating and liquidity of the credit enhancement provider for that of the borrower. Credit enhancement thereby lowers the cost of capital for the borrower.
- **Structured securities:** Structured securities are investments in a diverse group of loans and provide risk and return characteristics contingent on a range of underlying indices, interest rates or cash flows.¹³

CalPERS Fixed Income Key Investment Classes in California¹

	Dollars invested (in millions)	Percentage of dollars invested
Corporate Bond	\$810	17%
Credit Enhancement	\$655	14%
Structured Securities	\$2,852	60%
Other ¹	\$383	8%
Total	\$4,700	—

¹ Other assets are invested in other initiatives, including the Member Home Loan Program.

CalPERS investments include loans to 14 companies headquartered in California. These companies are larger than companies invested in by other asset classes, with a median size of nearly 3,500 employees. Corporate bond issuers support more than 85,000 employees in California and operate approximately 3,700 facilities.

CalPERS Fixed Income Portfolio – Corporate Bonds in California¹

Total Companies		14
Median Company Size (Employees)		3,455
Average CalPERS Investment (in millions)		\$57.9
Company Size (Employees)	1-100 Employees	17%
	101-500 Employees	8%
	>500 Employees	75%
Company Size (Revenue, in millions)	< \$100	0%
	\$101 - \$500	0%
	Over \$500	100%
Median One-Year Employee Growth ²		–5.6%
Percentage Manufacturing Companies ³		14%
Estimated Number of Jobs in California ⁴		85,000
Facilities in California		3,685

¹ Data from corporate bond recipients with headquarters in California, as listed in the Hoovers Inc. database. This includes 14 companies and \$810 million of investments.

² Median employee growth data from Hoovers Inc. is measured as the percentage difference between the most current reported employee numbers, and the numbers reported approximately one year prior.

³ Percentage of manufacturing companies data from Hoovers Inc. A company is classified as a manufacturer if they produce any kind of physical good.

⁴ CA jobs estimated by multiplying total number of employees by the percentage of facilities in California.

CalPERS also invests in approximately 400 corporate bond issuers that are not headquartered in California, of which 63 percent have facilities in-state and employ local workers. In-state operations comprise 7 percent of the total number of facilities globally for these companies.¹⁴ While companies headquartered elsewhere likely employ as many as over one million Californians—evidenced by the approximately 47,000 facilities they operate in California compared to 3,685 for the 14 California-headquartered companies that employ 85,000 local workers—a precise jobs estimate was unable to be determined with available data.

**Impacts of Fixed Income Corporate Bond
Recipients not Headquartered in California¹
on the California Economy**

Total Companies	370
Number of Companies with Facilities in CA	250
Total Number of Facilities at Companies with Facilities in CA	425,360
Number of Facilities in CA	46,990
Percentage of Facilities in CA (for Companies with CA Facilities)	7%

¹ Analysis based on a 10% random sample (n=40) of companies not headquartered in California in the CalPERS Fixed Income portfolio.

Credit Enhancement Program

The Credit Enhancement Program, approved by the CalPERS Board in February 2003, is designed to assist municipalities nationwide in accessing the bond market more efficiently.¹⁵ In 2008, CalPERS doubled the capacity of the program following significant turmoil in the municipal bond market, which increased demand for credit enhancement facilities and led to an increase in the cost of credit. As of June 30, 2010, \$655 million was invested in seven bond issuers.

The Credit Enhancement Program provides notable ancillary benefits to California. Investments include:

- Support for the state government of California for general obligation bonds, to improve the water system, and to provide municipal utility and power systems
- Support for air and marine ports, and for transportation and highway systems
- Increased liquidity for healthcare and educational institutions

Private Markets

CalPERS invests around one-quarter of its total assets in private market strategies, of which 36 percent is invested in California. These are investments in companies, properties, and projects that cannot be accessed publicly and fall under the umbrella of three asset classes: private equity; real estate; and infrastructure.

The job creation and other ancillary benefits of private companies, properties and projects that receive investments directly from CalPERS, or through contracted third-party investment managers, can be more directly attributed to the System than investments in public markets.

CalPERS is typically a large investor among a group of other institutions in any given deal, fund or partnership. Moreover, in the case of private equity, the investment managers supported by CalPERS (called General Partners) often join the boards of directors of portfolio companies and provide strategic advice, improved operating guidance, and broad networks that directly enhance the probability of business success.

At times, the investment managers that CalPERS enlists to support its efforts in private markets have also raised additional capital as a result of CalPERS anchor partnership commitment in their funds. While CalPERS cannot be credited with all of these “co-investments” in private

California-based companies, properties, and projects, the opportunity to partner with CalPERS and its investment managers has proven to be attractive to other providers of capital.

The private markets section of *CalPERS Investments in California* highlights four areas in which capital is especially socially beneficial.¹⁶ This includes:

- Low- to Moderate-Income (LMI) Areas¹⁷
- High Unemployment Areas¹⁸
- High Minority Areas¹⁹
- Rural Areas²⁰

Access to capital is an important factor in economic, business and productivity growth, job and wealth creation, innovation, and sustainable community development. The benefits of access to capital accrue to the direct recipients of investments, and to the areas in which they are located.

The proportion of CalPERS investments in LMI, High Unemployment, Rural, and High Minority Areas reflects the demands for capital in the asset classes in which CalPERS invests, for example from companies and properties located primarily in central business districts and other economic hubs.

Locating investments in California

The analysis in this section uses the demographic and income characteristics of ZIP codes. If the ZIP code in which an investment is located is determined to be an LMI, High Unemployment, High Minority, or Rural Area, the investment itself—and the dollars associated with that investment—are considered to be in the defined community.

In the case of High Unemployment, Rural, and High Minority Areas, the calculations are relatively straightforward. The data used to determine the appropriate status of relevant populations is available by ZIP code.

Calculating the LMI status of a ZIP code is more complex. The following method is applied using 2000 census data for every tract in the United States:

1. The population in a census tract is assumed to be evenly distributed across the entire census tract. This includes the LMI population.
2. The number of census tracts and percentage of each census tract located in every ZIP code is determined using geographic information systems (GIS) data.

3. The percentage of the total population and LMI population from each census tract is attributed to the ZIP code in which it is located.

4. A total population number, and LMI population number, is calculated for every ZIP code by combining partial census tracts.

5. The ZIP code is considered to be an LMI Area if the percentage of LMI population in a ZIP code is greater than 50 percent of the total.

Thirty-four percent of all ZIP codes in the United States are classified as LMI using this analysis.

In California, 55 percent of all ZIP codes are classified as LMI, including 73 percent in the “urban core” comprising the Central Business Districts of San Francisco, Oakland, Los Angeles and San Diego.²¹

PRIVATE EQUITY

Private Equity	Total Market Value	\$28.8 billion
	Value in CA	\$2.9 billion ²²
	Percentage in CA	10.1%

CalPERS is a significant investor in privately held California-based companies in a diverse set of industries. Private companies are generally smaller than public companies and use capital to support rapid growth, whether by commercializing new technologies, expanding operations, or by realizing efficiencies in readiness for an acquisition or public listing.

CalPERS invests in private companies primarily through Limited Partnerships, or funds. These investments are often structured as 10-year agreements with a professional investment manager. The manager, known as the General Partner, is the intermediary between investors with capital and businesses seeking capital.

CalPERS Private Equity Portfolio in California

Total Companies	1,331
CalPERS Investments (in millions)	\$2,939
Other Co-invested Dollars (in millions) ¹	\$20,854
Estimated Jobs in CA ²	140,000

¹ Includes all other capital invested alongside CalPERS in the same companies in the same private equity fund, not the total market value of the company. Other co-invested dollars are determined only from \$2.2 billion in investments for which information was available.

² Estimated jobs in California was determined by multiplying California jobs in the California Initiative portfolio by the proportion of dollars allocated to the California Initiative as a percentage of the total AIM portfolio in California. See Chapter II for more information on the California Initiative.

The companies in CalPERS private equity portfolio that are headquartered in California are estimated to support more than 140,000 jobs in the state. More than \$20 billion has been co-invested alongside CalPERS in the same California-based companies by other institutional Limited Partners.

CalPERS has investments in areas that have traditionally had limited access to capital (Limited Capital Access Areas); 41 percent of CalPERS private equity investments in California are directed to ZIP codes that have not received the vast majority (90 percent) of investments by all sources of institutional private equity funding.

Approximately two-thirds of CalPERS private equity investments in California are directed to High Minority Areas. CalPERS also makes significant private equity investments in High Unemployment, LMI, and Rural Areas.

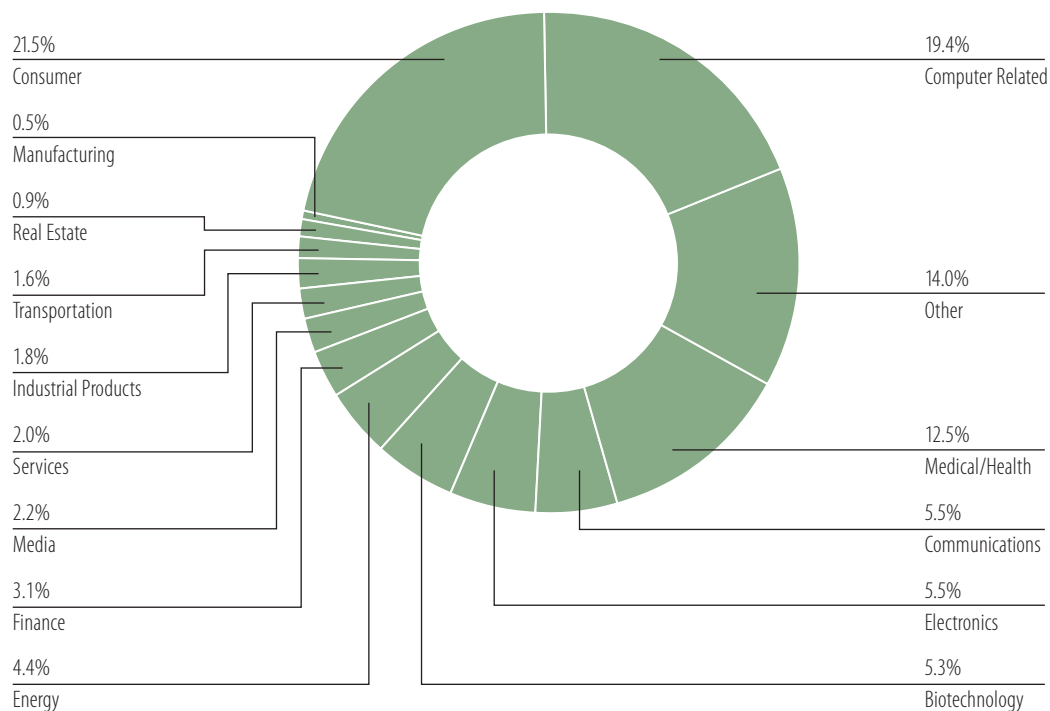
Private Equity Ancillary Benefits in California

	Percentage of investments	Percentage of dollars
High Unemployment Areas	16%	16%
Rural Areas	5%	20%
High Minority Areas	79%	64%
LMI Areas	27%	23%
Limited Capital Access Areas ¹	17%	41%

¹ According to data from Thomson Reuters analyzing all private equity transactions between 2001 and 2007, more than 90 percent of all private equity in California has been committed to 10 percent of California ZIP codes. ZIP codes not included in this 10 percent are considered Limited Capital Access Areas.

CalPERS has a highly diversified private equity portfolio in California, with investments in more than 20 different industries. The following chart shows the distribution of the top 15 sectors, including the heaviest concentrations in consumer goods, computer-related and medical companies.

California Private Equity Investments by Industry



Alternative Investment Management (AIM) Environmental Technology Program

CalPERS has a market value of \$134 million invested in external managers in the AIM Environmental Technology Program. Thirty-one percent of this amount (\$41 million) is invested in managers headquartered in California. Environmental or clean technologies are defined as solutions that are more efficient and less polluting than existing or legacy products, services, or technologies. Investments include companies focused on

alternative and renewable energy, water technologies, advanced materials or nanotechnology, air purification technologies, and transitional infrastructure opportunities. Through these investments, CalPERS is building a “best of breed”, diversified portfolio of clean technology-focused investments across stages, strategies, geographies, and structures.²³

REAL ESTATE

Real Estate	Total Market Value	\$14.9 billion
	Value in CA	\$3.3 billion
	Percentage in CA	22.0%

CalPERS invests in real estate primarily through the funds and partnerships of third-party investment managers. CalPERS has a “core” portfolio of real estate diversified by property type and geography, emphasizing high occupancy income. The portfolio also includes housing, urban real estate, international investments and natural resources (timber and agriculture).

The real estate asset class is more heavily weighted to California than any other. The portfolio in California includes a diverse group of assets that provide ancillary benefits in the areas in which they are located.

An additional \$2.4 billion in capital from other institutions is co-invested alongside CalPERS in California real estate.

CalPERS Real Estate Portfolio in California

CalPERS CA Portfolio Value (in millions)	\$3,274
Other Co-invested Dollars (in millions) ¹	\$2,433
Number of Investments	387

¹Value includes all other capital invested alongside CalPERS in the same real estate and infrastructure investments in the same third party funds, partnerships, and real estate investment trusts.

Forty-three percent of CalPERS California real estate investments are located in LMI areas, equal to 34 percent of invested amounts. Real estate investments are often in central business districts and concentrated urban areas, where access to investments in all property types is highest.

These urban districts typically include a larger proportion of LMI, High Unemployment, and High Minority Areas.

Real Estate Ancillary Benefits in California¹

	Percentage of investments	Percentage of dollars
High Unemployment Areas	28%	23%
Rural Areas	17%	6%
High Minority Areas	63%	54%
LMI Areas	43%	34%

¹ Ancillary benefits are based on the 195 California real estate investments for which valid ZIP code data was available.

The ancillary benefits of real estate projects include temporary jobs during construction, permanent jobs managing and servicing property assets, as well as affordable and workforce housing and transit-oriented community development.

CalPERS Real Estate Environmental Investing Strategy

CalPERS engages with its third-party investment managers to seek ancillary benefits through environmental investing strategies. Managers pursue robust financial returns while adopting sustainable building technologies, energy efficiency, water conservation, waste stream management, and indoor air quality. The managers also support green building initiatives and continue to explore investment opportunities with Leadership in Energy & Environmental Design (LEED) and Energy Star certification. In 2010, Real Estate investment managers achieved CalPERS 5-year Energy Efficiency Initiative to reduce energy consumption in the core portfolio by 20 percent.

INFRASTRUCTURE

Infrastructure	Total Market Value	\$434 million
	Value in CA	\$80.5 million
	Percentage in CA	18.5%

CalPERS searches for infrastructure opportunities in sectors including transportation, energy, natural resources, utilities, water, communications and certain social infrastructure projects, investing both directly and in partnership with third-party managers. CalPERS considers infrastructure investments, by definition, to benefit society as a whole.

CalPERS invests \$80.5 million in infrastructure assets in California. More than 86 percent (\$73.6 million) of these investments are in projects providing reliable water supplies to drought-prone areas.

Other institutions co-invested \$93.7 million alongside CalPERS in California infrastructure projects.

CalPERS Infrastructure Portfolio in California

CalPERS CA Portfolio Value (in millions)	\$80.5
Other Co-invested Dollars (in millions) ¹	\$93.7
Number of Investments	6

¹Value includes all other capital invested alongside CalPERS in the same infrastructure projects.

Conclusion

Institutional investors like CalPERS play an important role in sustaining and growing all economies, providing the capital that companies and other investment recipients need to survive and thrive. CalPERS provides significant ancillary benefits to California as a result of the breadth and scale of its investments in the state.

CalPERS invests \$17 billion (8.5 percent) of its \$200.5 billion in assets in California, including in

companies, properties and projects located in the state's underserved communities. The capital provided by CalPERS is an essential support in all the areas in which the fund invests.

Chapter II profiles the ancillary benefits of the CalPERS California Initiative for the sixth year. The California Initiative is a targeted program of private equity investments in companies with limited access to capital.

Location of CalPERS Investments in California*

CalPERS Public Equity Investments in California

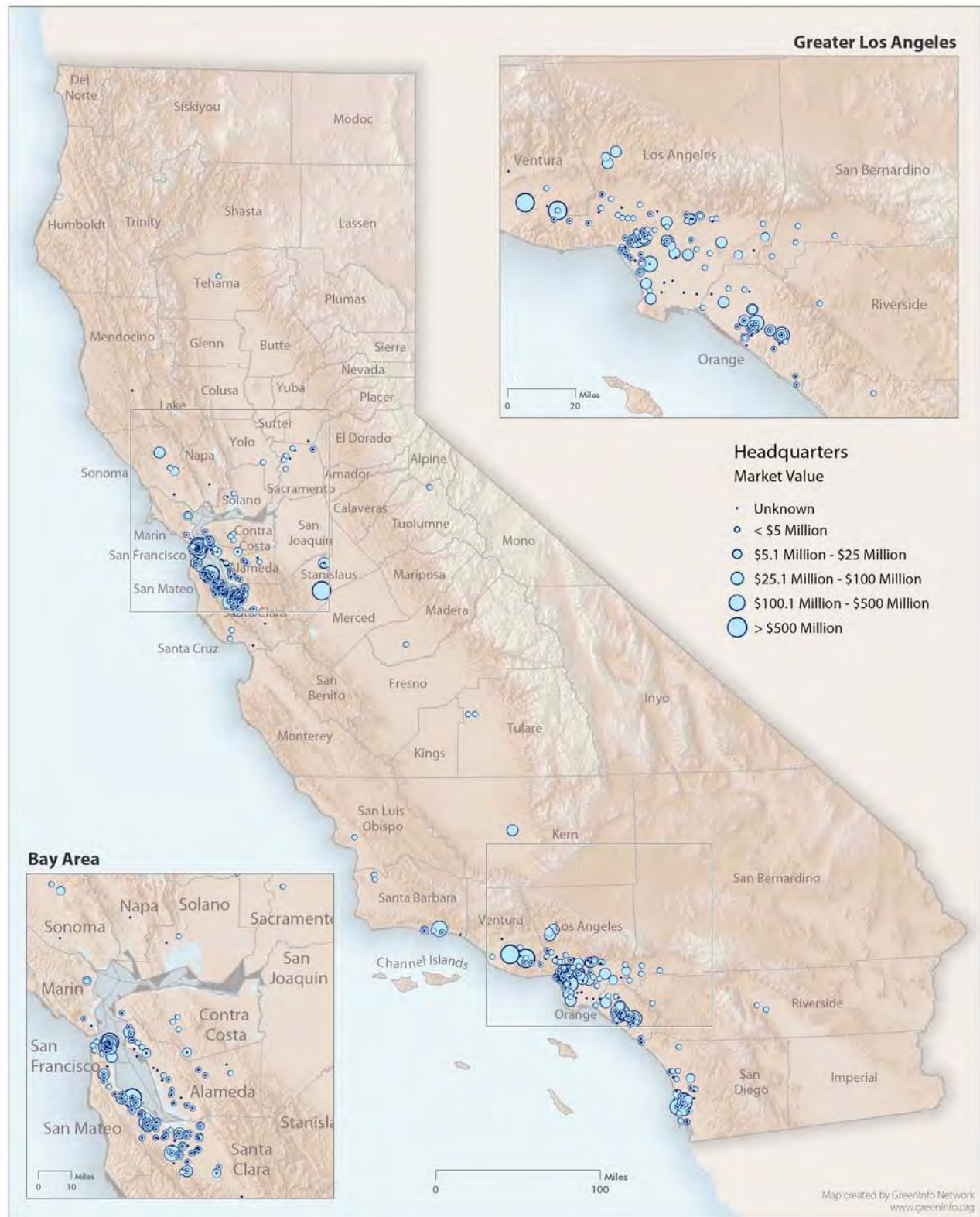


*These maps only contain information on CalPERS investments headquartered in California.

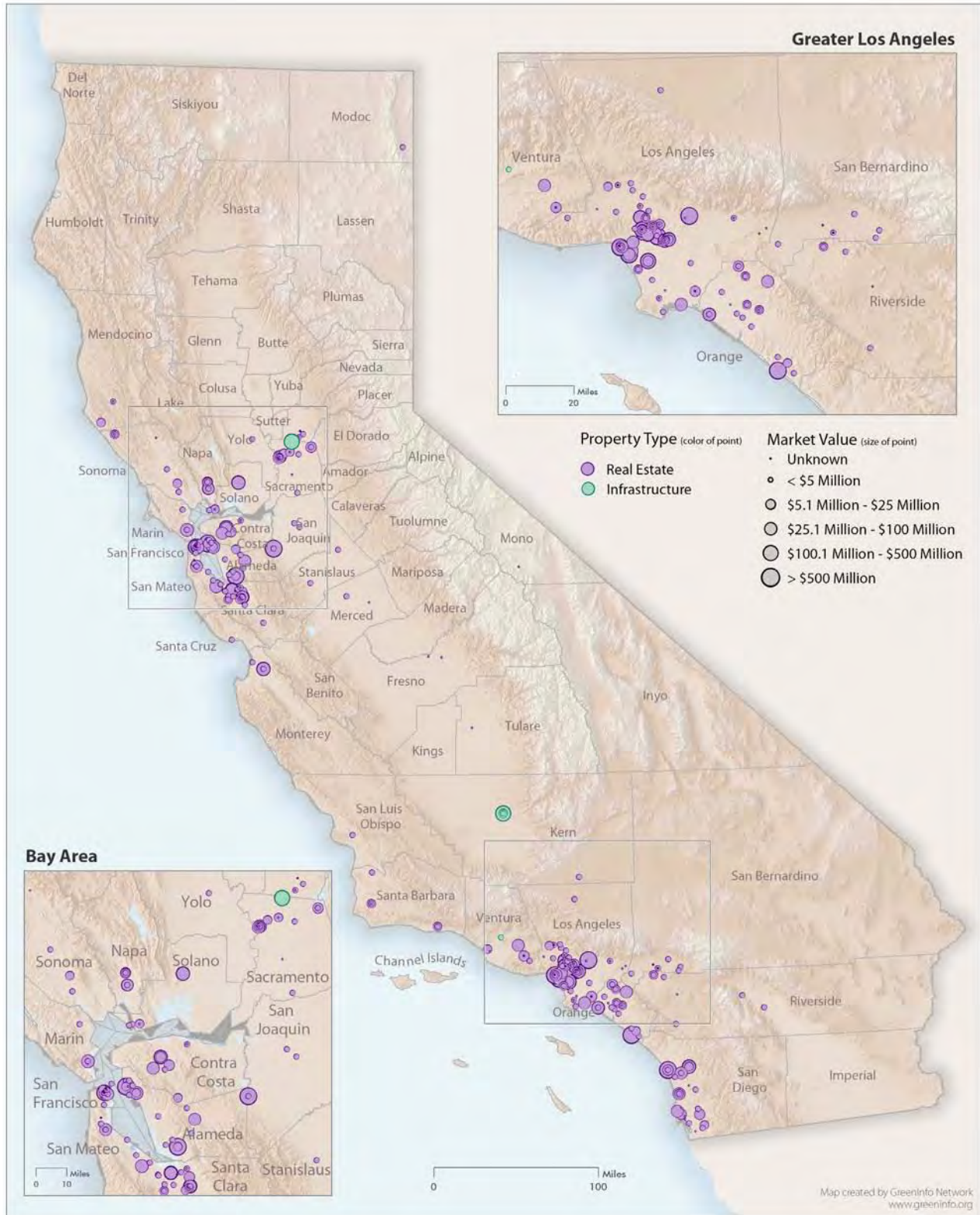
CalPERS Fixed Income Investments in California



CalPERS Private Equity Investments in California



CalPERS Real Estate Investments in California



Endnotes

¹ CalPERS Facts At A Glance, available at www.calpers.ca.gov/eip-docs/about/facts/investme.pdf

² Bureau of Economic Analysis, Regional Economic Accounts, available at www.bea.gov/regional/gsp/action.cfm

³ Cal Facts 2006, California Legislative Analyst's Office, available at www.lao.ca.gov/2006/cal_facts/2006_calfacts_econ.htm#economy

⁴ CnnMoney.com, Fortune 500 and Fortune 500 Global, available at <http://money.cnn.com/magazines/fortune/fortune500/2010/>

⁵ Private Equity Growth Council, 'Private equity-backed companies employ more than 6 million Americans, PEC report finds', May 4, 2010, available at www.pegcc.org

⁶ U.S. Census Bureau, available at www.census.gov/foreign-trade/statistics/state/data/ca.html

⁷ Using an economic multiplier model of analysis, in 'The Economic Impacts of CalPERS Investments on the California Economy', September 2007, prepared by the Applied Research Center of California State University Sacramento and available at www.calpers.ca.gov/eip-docs/about/press/news/economic-engine/eco-study-calpers-inv.pdf

⁸ 6 of the 14 companies that received corporate bond investment are also part of CalPERS Public Equity portfolio. Job estimates can not be combined as this would constitute double counting of 6 large companies.

⁹ Bureau of Labor Statistics. As of September 30, 2010, California's workforce included 13.8 million workers.

¹⁰ The analysis is based on a 3% sample of all non-California headquartered companies (n=298). Assumptions about the entire portfolio should therefore be considered illustrative, but not conclusive. The employment assumption for California headquartered public companies (that employees are spread evenly at all facilities) likely underestimates the actual number of California employees, since more employees are typically located in facilities at, or closer to, a company's headquarters. The same analysis would likely significantly overestimate the number of California employees of companies headquartered elsewhere – a problem compounded by the smaller sample size and larger number of companies.

¹¹ The 20 companies in this analysis were the largest in the automotive industry, based on revenues, from the Fortune 500 Global rankings. The number of employees in California is estimated by multiplying the percentage of all 20 companies' facilities in California by the total number of employees at all 20 companies. The calculation assumes that employees are equally distributed at facilities.

¹² The fixed income asset class includes five distinct investment programs. Only publicly available data was used to conduct analysis for this asset class, which was available only for companies that issued corporate bonds. According to the state of domicile obtained from Hoovers Inc., 14 corporate bond issuers (and \$810 million in investments) are considered California companies.

¹³ The classification of a California-based structured security investment was derived using information from Bloomberg.

¹⁴ The analysis is based on a 10% sample of all non-California headquartered companies (n=40). Assumptions about the entire portfolio should therefore be considered illustrative, but not conclusive. The employment assumption for California headquartered public companies (that employees are spread evenly at all facilities) likely underestimates the actual number of California employees, since more employees are typically located in facilities at, or closer to, a company's headquarters. The same analysis would likely significantly overestimate the number of California employees of companies headquartered elsewhere – a problem compounded by the smaller sample size and larger number of companies.

¹⁵ CalPERS website, at www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2007/jan/sp-rating.xml

¹⁶ To determine the dollar amounts invested in these areas, the market value of each investment is attributed to the ZIP code provided for a given company, property or project. Dollars invested in all ZIP codes that match the given criteria are summed and reported as a percentage of the total market value for each asset class invested in California.

¹⁷ Low- to Moderate-Income (LMI) areas are predominantly (50% or more) composed of LMI residents (34% of U.S. ZIP codes fall into this category). A census tract is determined to be LMI based on the following criteria:

- Median income of the tract is at or below 80% of the metropolitan statistical area median or below 80% of the statewide, non-metropolitan area median income
- At least 20% of the population lives in poverty
- The unemployment rate is at least 1.5 times the national average (based on 2000 US Census Data in order to be consistent with research on the California Initiative. 1.5 times the national average in 2000 is 8.7 percent)

See the Milken Institute Center for Capital Access and Job Formation for extensive literature on the lack of access to capital in LMI communities, at www.milkeninstitute.org.

¹⁸ High unemployment areas are defined by the State of California Employment Training Panel as being 15% higher than the California average. At June 30, 2010, the California average unemployment rate was 11.9%; therefore any ZIP code with an unemployment rate above 13.6% is considered a High Unemployment Area.

¹⁹ High minority areas are defined as ZIP codes in which the percentage of the minority population is higher than the median percentage of the minority population in all California ZIP codes (above 25%). See 'MBDA Study Finds Capital Access Remains Major Barrier to Success for Minority-Owned Firms' for more information on access to capital in minority communities. US Department of Commerce Minority Business Development Agency, January 29, 2010, available at www.mbdagov/pressroom/press-releases/mbdastudy-finds-capital-access-remains-major-barrier-success-minority-owne. According to the MBDA study, minority-owned firms receive fewer loans and smaller equity investments than non-minority owned firms, even when controlling for firm size.

²⁰ Rural areas are defined as ZIP codes in which the percentage of the rural population is higher than the median percentage of the rural population in all California ZIP codes (above 6%). See 'Advancing Rural America', U.S. Small Business Administration Office of Advocacy, available at www.sba.gov/advo/research/rural_sb.html for more information on access to capital in rural areas. According to the SBA, 'rural businesses access to capital has historically been limited and may be constrained further as bank mergers replace community banks with larger entities that are less interested in noncredit card small-sized loans'.

²¹ The boundaries of the Central Business Districts (CBD) of Los Angeles, Oakland, San Diego and San Francisco were determined using GIS technology. All ZIP codes that overlapped the CBD were included in this analysis. There are a total of 22 ZIP codes that overlap the four CBDs. Sixteen (73%) of those ZIP codes are predominantly comprised of LMI census tracts.

²² This includes CalPERS private equity direct investments, California Emerging Ventures and partnership investments in California. This number may differ from total portfolio numbers in other CalPERS reports due to varying standards for defining a California company.

²³ See www.calpers.ca.gov/index.jsp?bc=/investments/envirom-invest/aim-envirom-tech-prog/home.xml